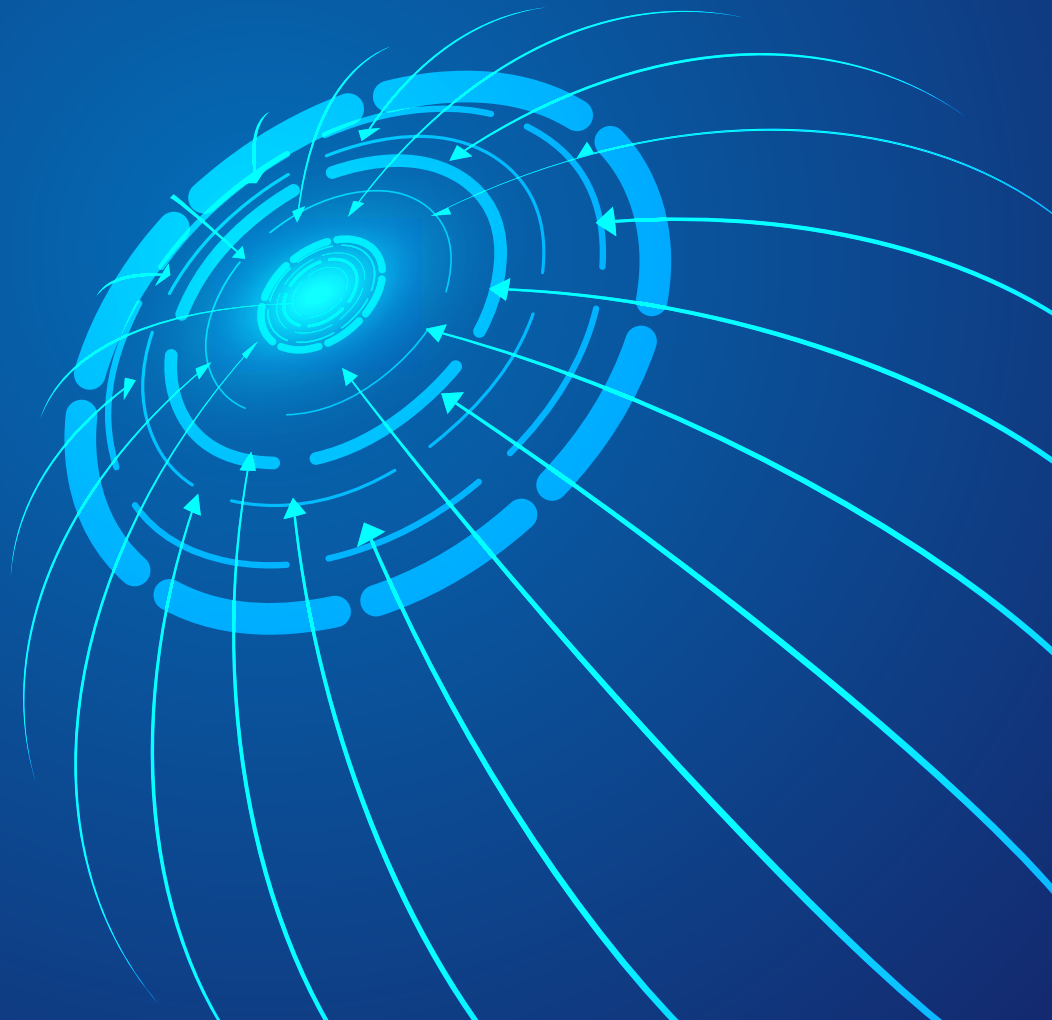


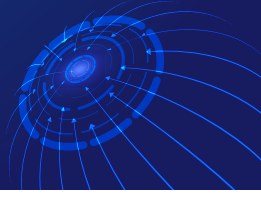
THE SUPPLY CHAIN CONVERGENCE PLAYBOOK

HOW TO FIX
ORGANIZATIONAL GAPS AND BOOST
RESILIENCE AND PERFORMANCE



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How to identify your alignment goals, implement solutions that address your challenges and ensure technology takes a leading role in your future success

The COVID-19 pandemic pointed out flaws in business practices across industries, perhaps more in procurement and supply chain departments than anywhere else in the organization. But now, two years into this new business environment, organizations are saying they still haven't found relief from the competing forces of procurement costs and logistics deadlines.

A recent research study — [Supply Chain Convergence in a Disruptive Environment](#) — conducted by the North Carolina State University (NCSU) Supply Chain Resource Cooperative and GEP surveyed leaders from procurement, supply chain and IT departments across a variety of industries about their priorities, strategies and challenges. The study found that the misalignment between sourcing and supply chain is the cause of common gaps in supply chains.

The main gaps include:

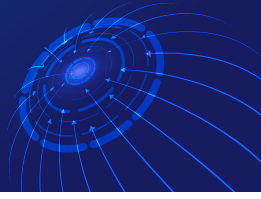
- **Misalignment between procurement and supply chain:** Procurement's number one priority is achieving lowest costs while the supply chain's number-one priority is on-time delivery
- **Misalignment between CPOs/CSCOs and their teams:** The C-suite's number-one priority is resiliency, while management's priorities are more tactical
- **Misalignment between key organizational initiatives and the teams tasked with achieving them:** The NCSU-GEP research found that supply chain execs point to sustainability (environmental and human rights) as the primary goal, while procurement execs point to diversity
- **Technology misalignment:** Procurement and supply chain professionals say supplier collaboration and visibility tools apps are very important, while CIOs focus solely on visibility

In a disruptive environment, any disconnection and misalignment can be exacerbated and amplify problems within the supply chain. And, in the current "perfect storm" of inflation, shortages, tariffs and more, there's no clear end in sight.

The lack of strategic alignment between stakeholders suggests organizations may not be as future-proof as they should be. By making improvements in critical areas, especially technology, procurement and supply chain, managers and executives have a once-in-a-lifetime opportunity to transform their organizations for generations to come.

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How do organizations make the changes needed to bridge these gaps and create resilient supply chains? The answer is convergence, and these are the steps to get there.

STEP 1: ADDRESS GAPS IN STRATEGIC ALIGNMENT

Robert Handfield, author of the NCSU-GEP study, says many of the tactics that create gaps were once actually best practices in the field.

“Twenty years ago, we focused on low price and low cost and outsourced to China,” says Handfield, who cites recent sourcing issues in semiconductors, steel, lumber and precious metals with drawing professionals’ attention to geopolitical disruptions in their supply chains. “Companies are starting to rejigger things quite a bit.”

In his new book *Flow*, coming out in the fall of 2022, Handfield and his co-author Tom Linton address the more modern approach to the supply chain — one that builds a natural relationship between supply chain leaders, their procurement counterparts and their departmental goals.

Supply chain departments are increasingly focusing on:

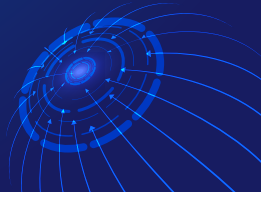
- **Nearshoring** — “Mexico is going to be the next major nearshoring initiative for the U.S. because they’ve got lower labor costs than China (and have since 2014) and they’re a truck drive away from us, speak the same languages and take care of more local issues,” Handfield says.
- **Dual-sourcing** — “Where we’re not necessarily moving everything back to Mexico and the U.S., we’ll see more dual-sourcing,” Handfield says. “It will be a higher cost but more domestic, and by doing that, you start to build some buffers against disruptions that will continue to occur.”
- **Alternative suppliers** — Nick Rose, CFO of Enable International, which helps suppliers, distributors and wholesalers to drive mutually profitable growth, seconds Handfield on finding alternative suppliers. “Built-in flexibility, we learned the last couple of years, is important. Be ready to switch volumes or locations or types of production. Those with the longest supply chains that are the hardest to change are those who suffered more.”

These tactics require a natural convergence between departments to be successful.

“Organizations are starting to view total cost of ownership as a really important component. This is a win-win for procurement and supply chain executives to focus on improved delivery, lower cost of transportation, higher inventory turns and overall lower total cost,” Handfield says. “It takes a lot of collaboration.”

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STEP 2: ADDRESS GAPS IN INFORMATION FLOW

Much like Enable's mission to support all parts of the supply chain, Rose, who previously worked closely with procurement teams as a finance transformation specialist at one of the UK's largest building companies, tries to support all parts of the organization.

Rose's guidance to achieving synergy between procurement and supply chain when considering these new tactics is to create working groups that tap the right people who have the right knowledge and the right attitude, and pair them with "a really great project manager" to talk about the right solution for their unique situation.

"It's the ebb and flow of world trade. Everyone runs this way, then everyone starts running another way," Rose says. "The more design effort that goes into the product, the shorter you want your supply chain. With a more homogenous product, make it where it's cheapest."

The American Productivity & Quality Center has found the same in their extensive research on organizational change management. Senior Principal Research Lead Marisa Brown outlines a few places to start:

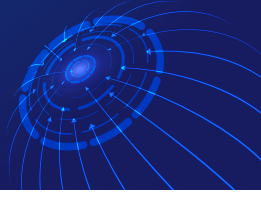
- **Build collaboration into goals.** At all levels of the organization, employees should be "specifically on the hook in their performance review to show how you collaborated" – and be sure to build in time for true collaboration, "not just unnecessary meetings."
- **Provide thoughtful performance incentives.** Along with Rose and Handfield, Brown champions incentive programs with strategic direction from the top that go beyond the monetary.
- **Establish governance models that give ownership to procure-to-pay or order-to-cash roles.** And don't forget to provide training and incentives around "deep work skills" like business ethics, data competency and efficient use of technology, Brown says.
- **Create communities of practice that bring people across the organization together intentionally.** Brown calls them "stewards," whose expertise combined with empowered ownership create "a sense of pride in sharing — not hoarding — knowledge."

Overall, the goal is to capitalize on employee knowledge, especially the hard-won experience gained through the pandemic.

"Don't overlook the value of the tacit knowledge employees have, the people who went off-script and saved the day. Did anyone capture what they did so next time we can immediately implement that rather than recreate these ideas? Incredible innovation happens in the face of necessity, but once the pandemic dies down, we go back to business as usual, back into our silos," Brown says. "Instead of back to normal, let's keep going forward."

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STEP 3: ADDRESS GAPS IN ENTERPRISE PRIORITIES

Handfield is candid in his assessment of many of the supply chain and procurement executives guiding enterprise-wide initiatives and tasked with finding the next-gen technology — they tend to be older, white and male. Luckily, he sees the organizations he works with opening their eyes.

“We’re seeing a lot of people in the field who are really open to promoting women to leadership positions and who are recognizing that they have to mentor and bring on diverse candidates and really promote that in the field.”

An inclusive workforce will have a ripple effect on the supply chain — digital natives accelerate technological innovation, and diverse workforces promote diverse supplier networks.

A few tips from our experts:

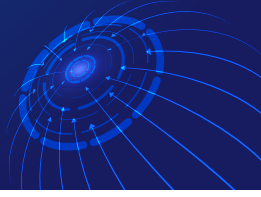
- **Work with your human resources department to create a college recruitment program.** Show candidates that “diversity is a way of life” at your organization, Handfield says.
- **Review existing processes to see if they help or hinder diversity initiatives.** “If the process doesn’t fit the system, then change the process,” Rose says.
- **Establish training programs that expand your possible employee base.** And when you hire candidates from different perspectives, Rose says, “let them be inventive; repeating the same crisis won’t change the earth.”
- **Measure and build in accountability.** Both for hiring diversity and supplier diversity, Brown says.

Much the way this generation of executives that started careers 20-30 years ago had to examine moving business to China — which was “really uncomfortable” — and then pivot again in the last couple of years, these executives are adaptable to changes in hiring as in sourcing, Handfield says.

“We’ll evolve again,” he says.

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STEP 4: ADDRESS GAPS IN TECHNOLOGY ADAPTATION

Organizational leaders see resiliency as the No. 1 issue for their firms to tackle, according to the NCSU and GEP study. Unfortunately, not every level of the organization identified that issue as its top challenge, especially those in middle management.

“They tend to focus on keeping their heads down and fighting fires all day long while the guys at the top are being tasked with resiliency and redesign and are not as aware their people are dealing with all these other issues,” Handfield explains.

Enterprises need to align their procurement and supply chain operations to address key pain points because resiliency requires supply chain convergence — a uniting of the critical processes and information flows across the organization and supply chain — and convergence requires technology.

The key technologies that drive convergence and resilience, as ranked by executives, also create pathways to achieve these goals.

Technology solutions that bring procurement and supply chain together

Supply chain visibility solutions open a world of opportunities for supply chain and procurement that succeed in early planning capabilities.

Rose says that for years, the lack of technology created disadvantages for both departments.

“Procurement was trying to be creative with buying patterns — if we take these extra products from you, will you give discounts on this product over there — [and these challenges] were chucked over the fence to some junior finance analyst and then over to supply chain,” says Rose, whose Enable is a leader in cloud-based deal management software. “As things got more transparent, you could see through the data properly and those two departments became more closely aligned.”

Handfield in particular points to one key piece of technology identified in the study: a holistic, end-to-end **platform that provides real-time supply chain visibility and multitier collaboration.**

“We have to spend less time chasing stuff down, answering emails and answering phone calls for a resilient supply chain,” he says.

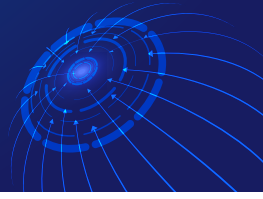
Technology solutions to match management and executive goals

Solutions that create workflow flexibility also extend the value path.

Workflows and information flows need to support a top-down and bottom-up management, Rose says.

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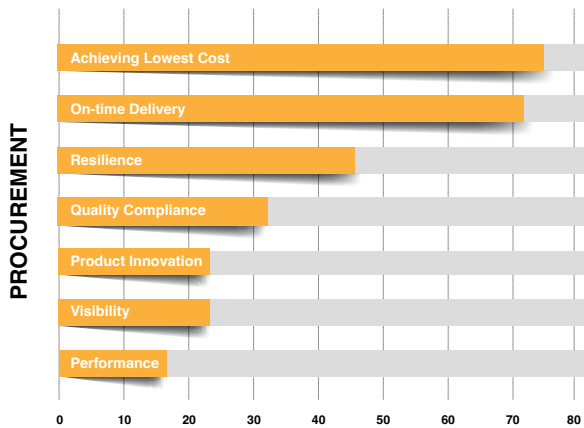
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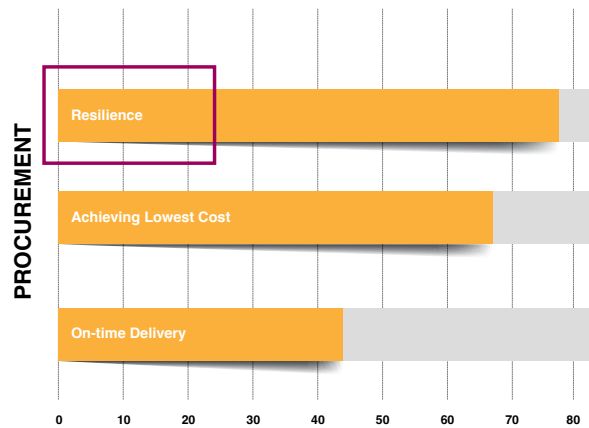
“The middle manager who’s in the thick of it every day isn’t likely to see the [forest for] the trees and know all the work going on around them. That said, they’re likely to know all the bits that are really frustrating or that prevent them from using a system properly,” says Rose.

Brown suggests that **knowledge and information management**, while often viewed as a technology or software solution, is much more than that. “It’s how do you get people to collaborate and break these barriers. It’s about changing the cultural norm.” To avoid the “dumpster fire of files,” she says, leadership needs to model technology adoption.

Mid-Level Management’s Priorities



CSCOs/CPOs’ Priorities



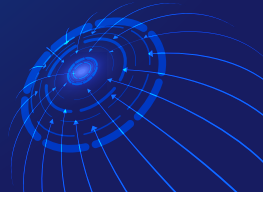
■ PROCUREMENT
 ■ SUPPLY CHAIN

Q: In general, how would you compare the importance of the following priorities, comparing the period prior pre-COVID and the period after (post-COVID)?

* Results for all respondents (left column) and CSCOs/CPOs (right column).

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Technology solutions for key initiatives and benchmarking their KPIs

When it comes to enterprise-wide goals like sustainability and diversity — which have significant financial ramifications — **data management and reporting solutions** provide both the conduit to the goals and the tracking mechanisms to show success.

Rose’s background in finance has shown him that the best software system in the world won’t solve problems if people don’t know how to use it or trust it — or if the software designers don’t know what the users want.

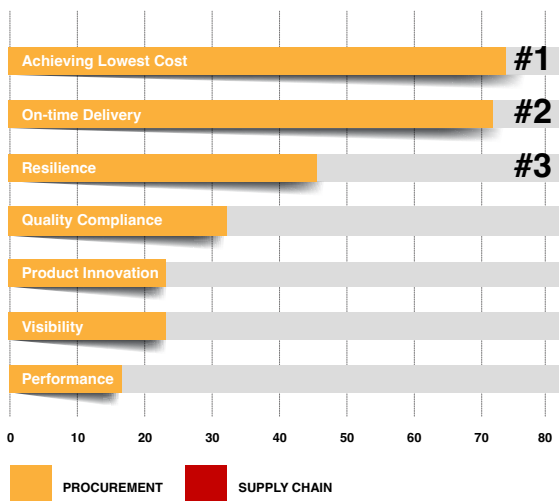
“Technology has to be part of the answer, because so much data and trade is so rapid, humans can’t keep up with just Excel workbooks.”

Rose advocates for bringing in a third party to see things from a fresh angle and ask the insightful questions that your team may need, both on the user end and the design end.

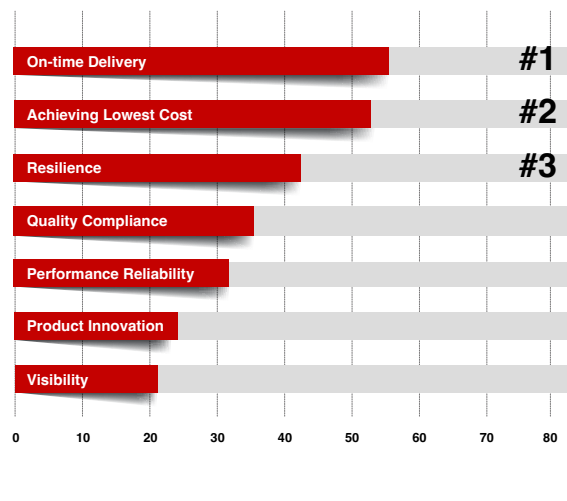
Meanwhile, **control towers** ensure “good skills and good technology aided by good processes” and drive your organization toward effective automation, Brown says.

Finally, don’t forget **predictive risk analysis solutions** that perpetuate technology investments, Handfield points out.

Procurement Executive Priorities



Supply Chain Executive Priorities

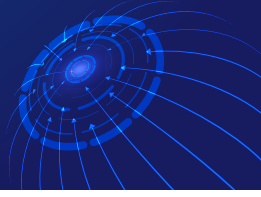


* Percent expressing priority as “important”.

Q: In general, how would you compare the importance of the following priorities, comparing the period prior pre-COVID and the period after (post-COVID)?

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CONCLUSION

The solutions offered here power convergence by closing supply chain gaps and aligning priorities within the enterprise — the very priorities extolled by the respondents in the NCSU-GEP study. Collectively, this allows organizations to operationalize resiliency across their supply chains and ecosystems.

“I don’t see disruptions ending anytime soon,” says Handfield. “They’re likely to go into 2023 and 2024, and it will take a while to sort those things out. You need to be prepared.”

The best-in-class of these technology solutions will enable enterprises to go beyond procurement and supply chain departments to multitier and multienterprise collaboration — offering forecast, capacity, inventory and cost collaboration as well as exception management.

For further information on the NCSU-GEP study, please download [Supply Chain Convergence in a Disruptive Environment](#).



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